



DATE: February 28, 2022

AGENDA ITEM # 4

**TO:** Financial Commission  
**FROM:** John Furtado, Finance Director  
**SUBJECT:** City of Los Altos External Audit

**RECOMMENDATION:**

Provide a recommendation to the City Council to appoint the current auditors for one more year

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**BACKGROUND**

A number of State and Federal laws require that the City's financial statements be audited annually and that the City Council engage an independent Certified Public Accountant to act as auditor for the City. On April 22, 2014, the City Council approved a contract with Maze & Associates (Maze) to provide independent auditing services for the City of Los Altos. The City has utilized the services of this firm for the last eight fiscal years (FY2014- FY2021) In 2020 in line with Audit best practices Maze rotated out the lead engagement partner.

City staff would like to extend a contract to Maze & Associates, to continue as auditors to the City of Los Altos for one additional year.

**DISCUSSION**

California Assembly Bill 1345 added section 12410.6.(b) to Government Code regarding auditor rotation requirements of public accounting firms providing audit services to local agencies.

“Government Code section 12410.6. (b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.”

In general, it is also a good practice to go out with Request for Proposal (RFP) for such services every five years or so that the city can evaluate and analyze the pricing and competition in the market.

Given tight audit timelines, compounded by a completely new finance department, an audit firm that has a comprehensive understanding of the City's financial structure, policies, and procedures would enable the City to complete the audit requirements in compliance with the required schedule. Therefore, staff recommends engaging Maze for one additional year, followed by a reevaluation of Request for Proposal (RFP) submissions before the next audit cycle.

**FINANCIAL IMPACTS:**

A one-year contract extension with Maze for independent audit services for FY2022 would not exceed \$52,175. There is an approximately \$2,000 or 4% cost increase from FY2021.